



FISCAL MEMORANDUM

HB 2409 - SB 2338

February 21, 2022

SUMMARY OF BILL AS AMENDED (013426): Requires a local board of education that provides group insurance for teachers, principals, and other employees to pay no less than 80 percent, and for employees to pay no more than 20 percent, of the medical insurance premium.

FISCAL IMPACT OF BILL AS AMENDED:

Increase Local Expenditures –

Exceeds \$191,740,800/FY22-23 and Subsequent Years*

Assumptions for the bill as amended:

- Local education agencies (LEAs) have the option to participate in the Local Education (LE) Plan health plan.
- An LEA that does not participate in the LE Plan is eligible to receive the insurance component of the BEP payments if the LEA offers medical benefits to its instructional and support staff employees that are equal or superior to the benefits of the LE Plan. For purposes of this analysis, it is assumed any health insurance plan provided at the local level is equivalent to the health insurance plan for state employees.
- Based on information provided by the Department of Finance and Administration, Benefits Administration, the state employee plan premiums range from \$8,595 for an employee only coverage to \$22,335 for family coverage.
- Based on the Kaiser Family Foundation (KFF) 2021 Employer Survey, approximately 65 percent of employees enroll in employer sponsored health plans at employers who employ between 50 and 200 employees total.
- The Department of Education Annual Statistical Report for school year ending June 30, 2020 includes a total of 135,069 teachers, instructional personnel, certified personnel, and administrative personnel across the state.
- It is estimated that at least 87,795 employees participate in health insurance offered by an LEA ($135,069 \times 65\%$).
- Based on data obtained from the Tennessee School Board Association (TSBA), employee contributions to LE Plan health plan premiums vary by plan level (i.e., premiere, standard, and limited) and type (i.e., individual vs. family) across each LEA.
- The KFF 2021 Employer Survey found that 86 percent of single coverage enrollees and 83 percent of family coverage enrollees paid less than 50 percent of the total premiums.

- Since the state pays approximately 45 percent of premiums through the BEP formula, it is assumed the LEA covers at least 65 percent of an employee's health insurance premium using a combination of state and local funding.
- The increase in local government expenditures to cover 80 percent of employees' health insurance premiums is estimated to be \$191,740,838 (\$1,022,617,802 - \$830,876,964).

Coverage Tier	% of State Plan Employees Enrolled	Total Employees Enrolled	Total Premium Estimate (100%)	Total Premium	Employer Premium Percentage at 65%	Premium Percentage at 80%
Employee Only	42.16%	37,014	\$8,595	\$318,137,984	\$206,789,689	\$254,510,387
Employee + Child(ren)	13.62%	11,958	\$12,885	\$154,074,431	\$100,148,380	\$123,259,545
Employee + Spouse	17.98%	15,786	\$18,480	\$291,716,299	\$189,615,595	\$233,373,039
Employee + Spouse + Child(ren)	26.23%	23,029	\$22,335	\$514,343,539	\$334,323,300	\$411,474,831
Total					\$830,876,964	\$1,022,617,802

- Increasing employer contributions may result in more employees opting into group health plans offered by LEAs, which would further increase local expenditures. However, due to multiple unknown variables, a precise fiscal impact from additional enrollees cannot be determined.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/ah